

**OBION-FORKED DEER BASIN AUTHORITY**

**FOR THE YEARS ENDED  
JUNE 30, 1996; JUNE 30, 1995; AND JUNE 30, 1994**

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August 1, 1996

The Honorable Don Sundquist, Governor  
and  
Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243  
and  
Mr. J. Richard Swaim, Director  
Obion-Forked Deer Basin Authority  
Lowell Thomas State Office Building  
Suite 305-A, Box 34  
Jackson, Tennessee 38301

Ladies and Gentlemen:

Transmitted herewith is the compliance audit of the Obion-Forked Deer Basin Authority for the years ended June 30, 1996; June 30, 1995; and June 30, 1994.

Consideration of the internal control structure and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/tp  
96/105

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Compliance Audit

**Obion-Forked Deer Basin Authority**

For the Years Ended June 30, 1996; June 30, 1995; and June 30, 1994

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the authority's internal control structure; to test compliance with certain laws, regulations, contracts, or grants; and to recommend appropriate actions to correct any deficiencies.

## AUDIT FINDINGS

The audit report contains no findings.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit  
1500 James K. Polk Building, Nashville, TN 37243-0264  
(615) 741-3697

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AUDIT REPORT  
OBION-FORKED DEER BASIN AUTHORITY  
FOR THE YEARS ENDED JUNE 30, 1996; JUNE 30, 1995; AND JUNE 30, 1994

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TABLE OF CONTENTS

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	<u>Page</u>
<u>INTRODUCTION</u>	1
Post-Audit Authority	1
Objectives of the Audit	1
Scope of the Audit	1
<u>BACKGROUND AND ORGANIZATION</u>	2
Legislative History	2
Organization	2
<u>PRIOR AUDIT FINDINGS</u>	3
<u>RESULTS OF THE AUDIT</u>	3
Audit Conclusions	3
Report on the Internal Control Structure	4
Compliance Report	6

OBION-FORKED DEER BASIN AUTHORITY  
FOR THE YEARS ENDED JUNE 30, 1996; JUNE 30, 1995; AND JUNE 30, 1994

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INTRODUCTION

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**POST-AUDIT AUTHORITY**

This is a report on the compliance audit of the Obion-Forked Deer Basin Authority. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

**OBJECTIVES OF THE AUDIT**

The objectives of the audit were

1. to consider the authority’s internal control structure to determine auditing procedures for the purpose of testing compliance with certain laws, regulations, contracts, or grants;
2. to test compliance with certain laws, regulations, contracts, or grants; and
3. to recommend appropriate actions to correct any deficiencies.

**SCOPE OF THE AUDIT**

The audit is limited to the period July 1, 1993, through June 30, 1996, and was conducted in accordance with generally accepted government auditing standards.

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## BACKGROUND AND ORGANIZATION

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### LEGISLATIVE HISTORY

Through Chapter 129 of the Public Acts of 1959, the State of Tennessee assumed the responsibility for developing plans to alleviate flooding and drainage problems in the Obion-Forked Deer Basin in West Tennessee and designated the Department of Highways and Public Works as the sponsoring agency. The Public Acts of 1973, Chapter 38, transferred this responsibility to the Department of Agriculture. When Chapter 415 of the Public Acts of 1974 created the Obion-Forked Deer Basin Authority, it still functioned under the administrative control of the Commissioner of Agriculture.

Chapter 448 of the Public Acts of 1976 and Section 64-1-401 of *Tennessee Code Annotated* made the authority an independent state agency with a governing board comprising representatives from the counties it serves. Although the authority is funded primarily through appropriations by the state legislature, it also receives funds from certain West Tennessee counties.

Chapter 890 of the Public Acts of 1996 renamed the authority as the West Tennessee River Basin Authority and placed it under the administrative control of the Department of Environment and Conservation. The change was effective July 1, 1996.

### ORGANIZATION

The Obion-Forked Deer Basin Authority operates under the direction of a 22-member board. By law, the board of directors comprises the Commissioner of Agriculture, or his designee; the Commissioner of Conservation, or his designee; the Executive Director of the Tennessee Wildlife Resources Agency, or his designee; three soil conservation district supervisors appointed by the Governor; a state representative appointed by the Speaker of the House of Representatives; a state senator appointed by the Speaker of the Senate; and a representative from each of the 14 West Tennessee counties that elect to participate in the authority's projects. The 14 counties eligible to participate are Obion, Weakley, Gibson, Dyer, Crockett, Lauderdale, Haywood, Madison, Lake, Henry, Carroll, Henderson, Chester, and McNairy.

The director of the authority, who is advised by the board of directors, has administrative control over the authority's functions. The director is assisted by a staff of administrative and channel maintenance personnel.

The 1976 acts delegate the following powers and duties to the Obion-Forked Deer Basin Authority: (1) to investigate all water and related resources of the Obion-Forked Deer Basin; (2) to adopt a plan for the development of the basin area's water, land, and related natural resources;

(3) to prepare architectural and engineering plans for projects related to water resources and land development; (4) to acquire by purchase or gift all land and facilities needed for construction of water control structures, channel improvements, and facilities for water conservation; (5) to contract, operate, and maintain all water control programs necessary in the basin area; and (6) to acquire funds from county governments and deposit such funds with the State Treasurer at the option of the board.

The Obion-Forked Deer Basin Authority is part of the general fund of the State of Tennessee and is responsible for allotment code 316.30 - Obion-Forked Deer Basin Authority.

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### PRIOR AUDIT FINDINGS

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There were no findings in the prior audit report.

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### RESULTS OF THE AUDIT

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### AUDIT CONCLUSIONS

#### Internal Control Structure

We considered the internal control structure to determine auditing procedures for the purpose of testing compliance with certain laws, regulations, contracts, or grants. The report on the internal control structure is on the following pages. Consideration of the internal control structure disclosed no significant deficiencies.

#### Compliance with Laws and Regulations

The Obion-Forked Deer Basin Authority complied with the provisions of certain laws, regulations, contracts, or grants. The compliance report follows the report on the internal control structure.

## **Report on the Internal Control Structure**

July 19, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have applied procedures to test the Obion-Forked Deer Basin Authority's compliance with the provisions of certain laws, regulations, contracts, or grants for the years ended June 30, 1996; June 30, 1995; and June 30, 1994; and we have issued our report thereon dated July 19, 1996. We performed the procedures in accordance with generally accepted government auditing standards.

We considered the authority's internal control structure in order to determine our procedures for the purpose of testing the authority's compliance with certain laws, regulations, contracts, or grants and not to provide assurance on the internal control structure.

The Obion-Forked Deer Basin Authority's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

The Honorable W. R. Snodgrass  
July 19, 1996  
Page Two

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the authority's ability to comply with laws, regulations, contracts, or grants.

We noted certain matters involving the internal control structure and its operation that we have reported to the authority's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp

## **Compliance Report**

July 19, 1996

The Honorable W. R. Snodgrass  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have applied procedures to test the Obion-Forked Deer Basin Authority's compliance with the provisions of certain laws, regulations, contracts, or grants for the years ended June 30, 1996; June 30, 1995; and June 30, 1994. We performed the procedures in accordance with generally accepted government auditing standards.

Compliance with laws, regulations, contracts, or grants applicable to the Obion-Forked Deer Basin Authority is the responsibility of the authority's management. Our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that the Obion-Forked Deer Basin Authority complied with the provisions referred to in the preceding paragraph, except for instances of noncompliance that we have reported to the authority's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/tp